

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
AUDIT AND COMPLIANCE BRANCH**

**RESOLUTION W-4297
November 8, 2001**

R E S O L U T I O N

RESOLUTION W-4297. WATERTEK, INC., GRANDVIEW GARDENS DISTRICT (GVG). ORDER AUTHORIZING AN INTERIM GENERAL RATE INCREASE SUBJECT TO REFUND, PRODUCING ADDITIONAL GROSS ANNUAL REVENUE OF \$11,983 (44.7%).

By Draft Advice Letter Filed on June 27, 2001.

SUMMARY

This Resolution grants GVG, a Class D water utility, an interim increase in gross annual revenue of \$11,983, subject to refund. The increase will provide GVG with no rate of return on its rate base, but with sufficient monies to pay its current cash operating expenses.

By Draft Advice Letter filed June 27, 2001, GVG requests authority under Section VI of General Order (G.O.) No. 96-A and Section 454 of the Public Utilities (P.U.) Code to increase rates by \$19,082 or 71.17%, in the year 2001.

The Water Division has received no protests.

BACKGROUND

Watertek, Inc. owns three Commission-regulated wastewater systems that provide sewer service in the Monterey County communities of Oak Hills, Indian Springs, and Spreckels. Watertek, Inc. also owns GVG and Metropolitan Water Company in Fresno, also Commission-regulated.

Decision (D.) 01-08-004 dated August 2, 2001 authorized the transfer of certain assets of Grand View Gardens Water Company to Watertek, Inc. and authorized Watertek, Inc. to provide water service to approximately 97 flat rate customers, 2 flat rate commercial customers, and 5 flat rate fire protection service in an area known as Tract 313 located

one-half mile northwest of Porterville, Tulare County. As a result of this decision, the previous owner withdrew from the water utility business.

Pursuant to its 2000 Annual Report, GVG reported that it generated total operating revenues of \$26,810, with a net loss of \$9,097. In view of the negative cash flow problem, the owner of GVG has absorbed costs that normally would be included in rates. GVG's filing indicates that system repairs and manpower support are now needed to continue operations and service.

The present rates of GVG became effective on July 22, 1997 pursuant to D.92-03-093¹.

NOTICE AND PROTESTS

GVG notified its customers of the interim rate increase by letter dated August 16, 2001. A revised notice was sent to its customers on October 5, 2001. No protests have been received.

The Water Division will be holding an informal public meeting to discuss GVG's general rate increase request and to receive customer input.

DISCUSSION

As part of the Risk Order Instituting Investigation (Risk OII, I.90-11-033), the Commission, in D.92-03-093, adopted new policies in response to the growing economic crisis that threatened the small (Class C and Class D) investor-owned water utility's ability to deliver clean, safe drinking water. Through D.92-03-093, the Commission determined that traditional ratemaking policies which were satisfactory for large water utilities were only sporadically successful in coping with the problems of the smaller Class C and Class D water utilities. Some of the policies adopted included simplified rate filings based on the Consumer Price Index, a new method to recover unanticipated repair costs deemed critical to continued service, an increased range of rate of return, and a number of streamlined procedures to simplify and speed regulatory review in order to encourage small water utilities to seek Commission review of their operations as part of more substantial adjustments in rates.

The Commission's on-going concern regarding the processing time for small water utility's transactions resulted in the creation of a Service Guarantee Plan for Small Water Companies (Plan). The Plan provides an almost immediate simple interim rate increase, usually within 45 days of filing. The interim increase, subject to refund, is based on a

¹ This decision authorized Class C (up to 500 connections) and Class D (500 to 2000 connections) water utilities to file each year by advice letter for an increase over the prior year's adopted revenue, based on the most recent year end increase in the Consumer Price Index. The increased cost is to be passed on to the utility's customers in their quantity, as well as, service charge rates.

cash flow analysis. The analysis determines how much the utility needs to operate and to pay bills, including debt service. This Resolution implements this mechanism for GVG.

The Audit and Compliance Branch initially prepared a cash flow analysis and estimated that the amount of \$8,750, or 32.54%, would be necessary for the utility to meet its cash flow requirements. The Advisory Branch revised this amount after further investigation revealed that GVG had not fully accounted for its expenses. It was determined that gross annual revenues would need to be increased by \$11,983, or 44.7%, in order for the utility to meet its cash flow requirements.

In order to respond to the utility's negative cash flow problem, the Water Division recommends the proposed interim rates shown below be granted to GVG, subject to refund, pending the final results of the staff investigation needed to set permanent rates. The proposed interim rates are as follows:

Flat Rate Service:	<u>Present</u>	<u>Interim Proposed</u>
For single family residential unit, Including premises not exceeding 10,000 sq. ft. in area	\$ 20.53	\$ 30.62
For each 100 sq. ft. of premises in excess of 10,000 sq. ft.	\$.13	\$.20

The monthly bill would increase from \$20.53 to \$30.62, resulting in an increase of \$10.09, or 44.7%.

This is an uncontested matter² in which the resolution grants an interim rate increase subject to refund, pending determination of permanent rates. Accordingly, pursuant to PU Code 311(g)(2) the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. The interim rates recommended by the Water Division (Appendix A and Appendix B) are reasonable and should be adopted.
2. The rate increase authorized herein should be subject to refund pending the completion of the staff investigation of GVG's general rate increase request.
3. There are no formal protests received.

² No formal protests were received.

THEREFORE, IT IS ORDERED THAT:

1. Watertek, Inc. is authorized to file an advice letter adopting the revised Schedule No. 1, General Metered Service and Schedule No. 2R, Residential Flat Rate Service attached to this Resolution as Appendix A and Appendix B, respectively, and to concurrently cancel its presently effective rate schedules. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall not be earlier than five days after the date of its filing.
2. The rate increases authorized herein is subject to refund pending final resolution of Watertek, Inc. Grandview Gardens District's general rate increase request.
3. The Advice Letter and tariff sheets shall be marked to show that they were authorized by Resolution W-4297.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on November 8, 2001; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director

LORETTA M. LYNCH
President

RICHARD A. BILAS

CARL W. WOOD

GEOFFREY F. BROWN

Commissioners

Commissioner Henry M. Duque,
being necessarily absent, did not
participate.

APPENDIX A**Schedule No. 1****GENERAL METERED SERVICE****APPLICABILITY**

Applicable to all metered water service.

TERRITORY

The area know as Tract No. 313 and vicinity, located one-half miles northwest of Porterville, Tulare County.

RATES

Quantity Rates:	<u>Per Month</u>	(T)
All, Water, per 100 cu. ft.	\$0.30	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 28.62	(I)
For 3/4-inch meter	\$ 42.93	
For 1-inch meter	\$ 71.55	
For 1 1/2-inch meter	\$143.08	
For 1-inch meter	\$228.93	(I)

The Service Charge is a readiness-to-serve charge, which is applied to all metered service and to which is added the monthly charge computed at the Quantity rate.

SPECIAL CONDITIONS

(D)

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
2. A late charge will be imposed per Schedule No. LC.
3. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a Rental unit leaves owing the company, service to subsequent tenants in that Unit will, at the company's option, be furnished to the account of the land-Lord or property owner.

APPENDIX B**Schedule No. 2R****RESIDENTIAL FLAT RATE SERVICE****APPLICABILITY**

Applicable to all flat rate water service.

TERRITORY

The area known as Tract No. 313 and vicinity, located one-half miles northwest of Porterville, Tulare County.

RATES

	Per Service Connection <u>Per Month</u>	
For single family residential unit, Including premises not exceeding 10,000 sq. ft. in area	\$ 30.62	(I)
For each 100 sq. ft. of premises In excess of 10,000 sq. ft.	\$.20	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.
2. All service not covered by above classification will be furnished only on a meter basis.

(D)
3. The monthly flat rate charge is due in advance, in accordance with the utility's established billing periods.
4. All rates are subject to the reimbursement fee set forth on Schedule No. UF.
5. A late charge will be imposed per Schedule No. LC.

6. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in that unit will, at the company's option, be furnished to the account of the landlord or property owner.